UNITED
NATIONS

EP

Governing Council
of the United Nations
Environment Programme

Distr.
GENERAL

UNEP/GC.20/23
7 January 1999

ORIGINAL: ENGLISH

Twentieth session
Nairobi, 1-5 February 1999
Item 9 of the provisional agenda*

PROGRAMME, THE ENVIRONMENT FUND AND ADMINISTRATIVE AND OTHER BUDGETARY MATTERS

Stable, adequate and predictable funding for the United Nations Environment Programme

Report of the Executive Director

Summary

This report presents the outline of a draft strategy concerning stable, adequate and predictable funding for the United Nations Environment Programme (UNEP). The outline of the draft strategy, contained in annex II to this report, has been prepared on the basis of various consultations between Governments and the secretariat of UNEP which have taken place since the nineteenth session of the Governing Council. The recommendations of the United Nations Task Force on Environment and Human Settlements were taken into account during its preparation. Also taken into account were the views expressed by Governments on the subject at the nineteenth special session of the General Assembly, held in June 1997, and at the 1998 annual session of the Executive Board of the United Nations Development Programme (UNDP) and of the United Nations Population Fund (UNFPA) ,held in September 1998, and the draft resource mobilization strategy for the United Nations Children's Fund (UNICEF) presented to its 1998 second regular session of the Executive Board, held in September 1998.

* UNEP/GC.20/1.

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Suggested action by the Governing Council

The Governing Council may wish to:

1. Recall its decision 19/23 of 7 February 1997;

2. Reaffirm, as stated in the Nairobi Declaration on the Role and Mandate of the United Nations Environment Programme,1/ that the United Nations Environment Programme needs adequate, stable and predictable financial resources in order to operationalize its mandate, and reiterate the interrelationship between excellence, relevance and cost-effectiveness in programme delivery, confidence in the organization and a consequent increase in the competitive ability of the Programme to attract funding;

3. Endorse the outline contained in annex II to the present report as a basis for the development of such a strategy for stable, adequate and predictable funding for the United Nations Environment Programme;

4. Request the Executive Director to initiate a process of consultations with Governments and other relevant parties, in particular through the Committee of Permanent Representatives and the High-level Committee of Ministers and Officials, in order to fully develop a strategy concerning stable, adequate and predictable funding for the United Nations Environment Programme;

5. Request the Executive Director to take action in accordance with the future strategy, as soon as it is finalized through the consultative process above;

6. Call on Governments and other relevant parties to provide financial and other resources to the United Nations Environment Programme, taking into account the above-mentioned consultative process and in accordance with the future strategy;

7. Request the Executive Director to report to the Governing Council at its twenty-first session on progress in the implementation of the present decision.

1/ Governing Council decision 19/1, annex.

I. FUNDING THE GLOBAL ENVIRONMENTAL AGENDA

1. The Nairobi Declaration on the Role and Mandate of UNEP identified the focused mandate of the revitalized UNEP. In order to operationalize this mandate, the revitalized UNEP needs adequate, stable and predictable financial resources. In this regard, the Nairobi Declaration recognized the interrelationship between excellence, relevance and cost-effectiveness in programme delivery, confidence in the organization and a consequent increase in the competitive ability of UNEP to attract funding.

2. In order for UNEP to strengthen its role as the principal body of the United Nations in the field of the environment, ways must be sought to assure financial stability for the implementation of the global environmental agenda. The predictability and early notification of expected contributions to the Environment Fund would facilitate an effective planning and programming process.

II. FINANCIAL BASIS OF UNEP

3. The resources available to UNEP for the implementation of its activities come from: Environment Fund; the regular budget of the United Nations; trust funds; and counterpart contributions. The annual amounts of funding derived by UNEP from these various sources in the period 1973-1998 are presented in annex I to the present report.

A. Environment Fund

4. While the Nairobi Declaration reaffirmed the central importance of the Environment Fund as the principal source of financing for the implementation of the programme of UNEP, the current level of contribution to the Environment Fund may not be adequate for fully implementing the programme activities for the 1998-1999 biennium as approved by the Governing Council in its decision 19/22. In addition to an inadequate Fund balance, unpredictable payment of contribution (e.g. late payments) makes strategic planning of the programme of work difficult. The limited size of donor base (over 90 per cent of the total contributions to the Environment Fund comes from only 15 countries), combined with the voluntary nature of contributions, represents a possible cause of instability in the provision of adequate funding.

B. Regular Budget

5. The regular budget of the United Nations provides financial resources for the costs of servicing the Governing Council and other costs to support the administration of UNEP. While the responsibilities of UNEP have increased over the years, the contribution of the United Nations regular budget towards its costs has not increased proportionately.

C. Trust Funds

6. Trust funds at UNEP provide financial resources for activities supporting the programme of work of UNEP as well as of conventions and regional seas programmes and the activities of their secretariats. They are also used for financing personnel through Junior Professional Officer

Programmes and the secondment of staff. Trust funds are earmarked by donors for specific purposes. They often have a different governing structure from that of the Environment Fund, may be bilateral or multilateral and are accounted for separately. The ratio of funds received by UNEP through trust funds to those received by it through the Environment Fund has risen significantly. The increasing reliance being placed on the use of trust funds as a financing mechanism has raised questions concerning their effect on programme balance and the priorities established by the Governing Council.

D. Counterpart contributions

7. Counterpart contributions are made in cash or kind by Governments, United Nations agencies and other organizations, and are earmarked for specific activities, services and facilities for individual projects. They have grown significantly in terms of a percentage of the resources of the Environment Fund. Financial resources, in the form of counterpart contributions, to complement general contributions to the Environment Fund have helped UNEP to carry out its work during the recent period of financial constraint and have been most welcome. However, increased reliance on counterpart contributions targeted at specific subjects of interest to certain donors might undermine the programmatic coherence of the UNEP work programme as agreed at the Governing Council, in particular when the increase in counterpart contributions results in decrease in the contributions to the Environment Fund.

III. MODALITIES FOR LINKING STABLE, ADEQUATE AND PREDICTABLE FUNDING AND PROGRAMME PERFORMANCE

8. Stability, adequacy and predictability of funding for UNEP depend upon the programme performance, impact and effectiveness of UNEP. Effective programme performance and programmatic impact of UNEP should attract a better funding for it from Governments and other donors with political will to make financial commitment for achieving global environmental goals.

9. Currently, there is no specific mechanism for UNEP and Governments and other donors to consider the linkage between the funding for UNEP and its programme performance, impact and effectiveness. Also, there is no procedure to assess collectively UNEP's programme performance, impact and effectiveness as a means for Governments and other donors to determine their level and modalities of contributions to UNEP.

10. Overall, such a mechanism and procedures would help build confidence and mutual trust between UNEP and Governments and other donors, and make the performance of UNEP more accountable to those who might make contributions to it. They would also help UNEP adjust its action as appropriate and eventually enable it to avoid loss of contributions because of inadequate performance.

11. Given the above, it is suggested that a strategy concerning stable, adequate and predictable funding for UNEP be developed, addressing various issues related to the subject, with a view to establishing mechanism and procedures for linking stable, adequate and predictable funding and programme performance. The draft outline for such a strategy is presented in annex II to the present report.

Annex I

UNITED NATIONS ENVIRONMENT PROGRAMME
SOURCES OF FUNDS 1973 - 1998
(US Dollars)

As at 30 November 1998

Year	Environment Fund Countributions	%	Trust Fund Countributions	%	Counterpart Contributions	%	Regular Budget	%	Total	%
1973	6,559,648	78.9	0	0.0	0	0.0	1,753,973	21.1	8,313,621	100
1974	17,777,023	87.5	27,000	0.1	60,000	0.3	2,457,919	12.1	20,321,942	100
1975	16,858,097	84.9	0	0.0	554,895	2.8	2,432,198	12.3	19,845,190	100
1976	27,931,816	89.9	38,000	0.1	216,796	0.7	2,889,054	9.3	31,075,666	100
1977	29,051,892	90.0	60,000	0.2	72,767	0.2	3,109,818	9.6	32,294,477	100
1978	28,477,392	87.7	299,943	0.9	0	0.0	3,705,030	11.4	32,482,365	100
1979	31,833,189	81.7	2,817,045	7.2	0	0.0	4,329,045	11.1	38,979,279	100
1980	26,834,203	74.4	3,665,475	10.2	0	0.0	5,580,573	15.5	36,080,251	100
1981	35,553,749	85.7	603,985	1.5	0	0.0	5,326,374	12.8	41,484,108	100
1982	30,333,560	72.2	4,434,974	10.6	1,492,698	3.6	5,746,872	13.7	42,008,104	100
1983	27,823,651	72.3	4,722,873	12.3	684,738	1.8	5,228,677	13.6	38,459,939	100
1984	22,339,680	67.3	4,684,090	14.1	1,084,266	3.3	5,108,391	15.4	33,216,427	100
1985	36,325,253	74.5	5,683,601	11.7	1,881,171	3.9	4,883,743	10.0	48,773,768	100
1986	29,378,517	72.3	4,644,413	11.4	2,658,377	6.5	3,930,100	9.7	40,611,403	100
1987	31,904,384	72.1	5,103,325	11.5	2,218,610	5.0	5,049,566	11.4	44,275,885	100
1988	34,001,839	70.0	7,287,266	15.0	2,745,755	5.7	4,544,768	9.4	48,579,628	100
1989	38,582,969	65.0	11,090,244	18.7	4,065,143	6.8	5,625,126	9.5	59,363,482	100
1990	51,644,836	68.5	13,869,604	18.4	5,223,244	6.9	4,683,833	6.2	75,421,517	100
1991	59,378,068	65.1	19,941,170	21.9	5,732,121	6.3	6,158,485	6.8	91,209,844	100
1992	63,744,425	60.8	24,713,606	23.6	10,782,489	10.3	5,521,180	5.3	104,761,700	100
1993	66,868,100	58.1	34,960,593	30.4	6,139,678	5.3	7,027,262	6.1	114,995,633	100
1994	65,893,858	51.8	47,049,448	37.0	9,906,296	7.8	4,236,200	3.3	127,085,802	100
1995	58,057,931	54.3	37,049,994	34.6	6,301,375	5.9	5,565,100	5.2	106,974,400	100
1996	45,598,434	41.8	49,221,433	45.1	10,176,241	9.3	4,115,000	3.8	109,111,108	100
1997	44,385,420	40.2	54,967,125	49.7	7,041,121	6.4	4,115,000	3.7	110,508,666	100
1998	46,720,000	40.0	59,205,736	50.7	6,580,000	5.6	4,184,750	3.6	116,690,486	100
TOTALS	973,857,934	61.9	396,140,943	25.2	85,617,777	5.4	117,308,037	7.5	1,572,924,691	100

Source: Financial reports and accounts 1973-1997. 1998 figures are projections.
** Trust Fund countributions do not include the Multilateral Fund under the Montreal Protocol.
Cash receipts to the Multilateral Fund for which UNEP acts as a treasurer:

1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
665,296	26,302,592	62,915,973	74,748,725	137,112,169	113,946,280	109,934,612	123,744,827	193,205,736	842,576,210

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Annex II

DRAFT OUTLINE OF A STRATEGY CONCERNING STABLE, ADEQUATE AND PREDICTABLE FUNDING FOR THE UNITED NATIONS ENVIRONMENT PROGRAMME

1. General principles

(a) Need for UNEP to have stable, adequate and predictable financial resources in order to operationalize the focused mandate as contained in the Nairobi Declaration.

(b) Recognition of the interrelationship between excellence, relevance and cost-effectiveness in UNEP's programme delivery, confidence in the organization and a consequent increase in the competitive ability of UNEP to attract funding.

(c) Need for continued reform of UNEP to enhance its programme performance, which should be matched by political will among Governments and other donors to provide UNEP with stable, adequate and predictable financial resources.

(d) Emphasis on transparent procedures in considering the issue of stable, adequate and predictable funding.

(e) Required action should not create additional administrative burden either to UNEP or Governments and other donors.

2. Modalities for linking programme performance, impact and effectiveness of UNEP with its funding

(a) UNEP to prepare a programme of work on the basis of realistic expectations of the forthcoming contributions under the given political and economic environment.

(b) UNEP to intensify communication of its achievements to Governments and other donors.

(c) Objective indicators be developed, subject to regular review, for assessment of programme performance, impact and effectiveness of UNEP as a means for identifying the funding needs.

(d) International platforms be regularly convened for policy dialogue between UNEP and Governments and other donors to assess the programme performance, impact and effectiveness of UNEP and to match that assessment with the level of funding.

3. Stable funding

(a) Broader donor base. In addition to Governments, funding also by foundations, non-governmental organizations and other private-sector parties.

(b) Innovative modalities of funding. Options might include: agreed contributions; contributions to be determined on the basis of consultations; some form of increased burden-sharing among contributors.

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(c) Ways to offset or minimize the effects of exchange-rate fluctuations.

4. Adequate funding

(a) Recognition of the linkage between adequacy of financial resources, or the level of funding, and programme performance, impact and effectiveness.

(b) Modalities to link the budget with outputs achieved, with a view to identifying the adequacy of funding.

5. Predictable funding

(a) Timely payment of contributions. A format might be agreed to ensure that the payment is made in the first quarter or first half of the year, which would enable early allocations and hence better planning.

(b) UNEP should be notified in advance of the amount of the contributions concerned and when to expect the payment.

(c) Need to have a flexible and practical mechanism concerning the modality of payment that takes into account the administrative and budgetary procedure, such as the budget cycle, and relevant donor legislation.

(d) Feasibility of multi-year pledges. A possible scenario might be a firm pledge for the first (current) year, with the announcement of indicative contributions for the second year and tentative contributions for the third year (or following years).

(e) Use of formal mechanisms to ensure the predictability of contributions, such as memoranda of understanding between the prospective contributors and UNEP concerning the amount of contributions and schedule of payment.

(f) A mechanism to be established to provide Governments with an early warning of forthcoming shortfalls in financial resources of UNEP so that remedial action could be taken.

6. Monitoring

Modalities for monitoring and measuring the programme performance, impact and effectiveness of the outputs of UNEP's programme activities, in order to promote, inter alia, a more transparent decision-making process with regard to the funding of UNEP.